

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

<b>In Re:</b>	§	
	§	<b>Chapter 11</b>
<b>W.R. GRACE &amp; CO., et al</b>	§	<b>Jointly Administered</b>
	§	<b>Case No. 01-1139 (JJF)</b>
<b>Debtors</b>	§	

**FEE AUDITOR'S FINAL REPORT REGARDING  
FEE APPLICATION OF PROTIVITI, INC.  
FOR THE FIFTEENTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Application of Protiviti, Inc. for the Fifteenth Interim Period (the "Application").

**BACKGROUND**

1. Protiviti, Inc. (Protiviti) was retained as Sarbanes Oxley compliance advisors for the Debtors. In the Application, Protiviti seeks approval of fees totaling \$409,720.74 and expenses totaling \$21,786.26 for its services from October 1, 2004, through December 31, 2004.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of

Delaware, and the Third Circuit Court of Appeals. We served on Protiviti an initial report based on our review, and received a response from Protiviti, portions of which response are quoted herein.

### DISCUSSION

3. We noted two air fares for which the class of ticket is not designated. The entries are provided below.

19-Oct-04	Matthew Petito Roundtrip airfare from Baltimore to Frankfurt Germany at the request of the client for Sarbanes plant review in Worms Germany	\$4,917.00
20-Oct-04	Kevin Strickler American Airlines flight to Worms, Germany and back for site visit 11/13 to 11/19 ticket #098608973	\$4,917. 00

We asked Protiviti to provide documentation that the fares were purchased at coach or economy class. Protiviti responded as follows:

Both airfares for Matthew Petito and Kevin Strickler were round trip business class flights from Baltimore Maryland to Frankfurt Germany for the Sarbanes Oxley review of Worms Germany manufacturing plant. These flights were booked on our behalf and approved by Grace Internal Audit. This activity is directly related to Protiviti's appointment as W.R. Grace's Sarbanes-Oxley Compliance Advisors and is fully compensable.

We appreciate the response; however, paragraph II.E.1. of the Guidelines, states “. . .[f]actors relevant to a determination that the expense is proper include the following: 1. Whether the expense is reasonable and economical. For example, first class and other luxurious travel mode or accommodations will normally be objectionable.” In researching similar flights, there appear to be many available coach fares in the \$3,000.00 range. We thus recommend a reduction of one-third the cost of each of the cited flights, for a combined reduction of \$3,278.00 for air travel expenses.

4. We noted two meal expense entries that may be excessive. These are provided below.

1-Oct-04 Robert Purvis

	Breakfast alone at Hyatt Hotel, Mainz	24.72
1-Oct-04	Michael Carroll Worms, Germany site visit - Breakfast - Hyatt Regency, Mainz - Alone	24.60

We suggest reasonable ceilings of \$15 per person for breakfast, \$25 per person for lunch and \$50 per person for dinner. We asked the firm to explain why these entries should not be viewed as excessive. Protiviti responded as follows:

These expenses pertain to breakfast by Robert Purvis and Michael Carroll at the hotel in Mainz Germany. Although the recommended ceilings were exceeded, this expense was comparable to the other team members on the project and was approved by Grace Internal Audit. Additionally, the cost of meals is considerably higher in Germany. Therefore, these items are fully compensable.

We appreciate the response and are cognizant of higher meal costs in many parts of Europe. However, we would maintain that the recommended ceiling is still reasonable in this instance. Thus we recommend a reduction of \$19.32 for these meal expenses.

5. We noted two laundry entries totaling \$125.25 that may not be reimbursable. The entries are provided below.

27-Sep-04	Kevin Strickler Laundry at Hyatt - Mainz, Germany	72.00
1-Oct-04	Robert Purvis Laundry at Hyatt Regency Mainz for 5 nights	53.25

Paragraph II.E. of the Guidelines states, “[a]ny expense for which reimbursement is sought must be actual and necessary and supported by documentation as appropriate.” Recent guidelines from the Office of the United States Trustee further support the position that laundry and dry cleaning expenses while traveling should not be reimbursed by the estate. We asked Protiviti to explain why these expenses should be reimbursed. Protiviti responded as follows:

At the request of W.R. Grace, many of our consultants were requested to travel internationally for extended periods of time (the trips in question were three weeks

in duration without returning home in between weeks). All of the laundry expenses noted were necessary in order to have clean clothing beyond the first week or two, and all of the expenses were properly supported by documentation, generally consisting of hotel invoices. In addition, the Vice President of Internal Audit for W.R. Grace (responsible for day-to-day leadership of the Grace's Sarbanes-Oxley compliance project) has expressed his opinion that all of the highlighted laundry expenses should be reimbursed. The full amount associated with laundry / travel expenses should be fully compensable.

We appreciate the response; however, in keeping with current guidelines we recommend a reduction of \$125.25 in expenses.

### **CONCLUSION**

6. Thus we recommend approval of fees totaling \$409,720.74 and expenses totaling \$18,363.69 (\$21,786.26 minus \$3,422.57) for Protiviti's services from October 1, 2004, through December 31, 2004.

Respectfully submitted,

**WARREN H. SMITH & ASSOCIATES**

By: \_\_\_\_\_



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**FEE AUDITOR**

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 8<sup>th</sup> day of June, 2005.



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Warren H. Smith

**SERVICE LIST**

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